

9 December 2008

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Dear John,

REVENUE CAP ADJUSTMENT

Thank-you for your letter dated 25 November 2008 regarding QR Network's submission dated 31 October 2008, on behalf of QR, to the Queensland Competition Authority (QCA) concerning a proposed adjustment to Reference Tariffs for the 2009/10 year in respect of the revenue cap for the 2007/08 year.

QR Network has reviewed copies of the submissions made by the Queensland Resources Council (QRC) and Asciano Limited (Asciano).

The QCA notes that both the QRC and Asciano have commented generally on the limited data in the October submission. As indicated in the submission, detailed supporting information is provided to the QCA including on the various parameters which make up QR Network's below rail revenue. This information is commercial-in-confidence as it contains specific information on individual Train Services. The information is also provided to the QCA separately as part of the Schedule MB requirements in QR's 2005 Access Undertaking (the 2005 Undertaking).

Notwithstanding, QR Network has already proposed a number of initiatives which it believes will address the concerns raised.

QR Network does not have any comments on the QRC submission. With respect to the Asciano submission, QR Network's comments on the issues raised are set out below.

No Connection between Physical Activity and Reported Revenue

As the QCA is aware and Asciano has noted, this information is not required under the 2005 Undertaking.

As indicated above, QR Network has already proposed a number of initiatives which should address Asciano's concerns and provide greater transparency of the revenue cap process, including:

- Extending membership of the Capricornia and Goonyella coal supply chain forums to Pacific National Pty Ltd (PN), on behalf of Asciano, upon execution of PN's Access Agreement with QR Network.

- Proposing for its 2009 Access Undertaking:
 - The quarterly publication of a summary of the Schedule MB parameters by system via the Network Performance Report; and
 - An annual volume forecasting process which would reduce the amount of time between development of the regulatory forecasts and the revenue cap calculations for the relevant year and also limit the quantum of future Revenue Adjustment Amounts.

Quantum of Adjustment and Price Setting

As the QCA is aware, the relatively high Revenue Adjustment Amount for Newlands AT₂₋₄ relates to the high proportion of Access Agreements on this system which pre-date QR's 2001 Access Undertaking. These Access Agreements have weak (or no) Take or Pay arrangements which are reflected in the low Take or Pay revenues set out in Schedule A.

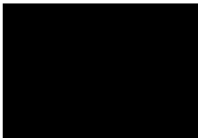
This issue and QR's proposal to address it were discussed in QR's February 2007 submission on the form of regulation. As Asciano has indicated, this proposal was rejected by the QCA following submissions by a number of stakeholders including the QRC and Asciano.

AT₅ Adjustment and Lack of Explanation

As the QCA is aware and is reflected in the Standard Access Agreement, the relatively high Revenue Adjustment Amounts for Blackwater and Goonyella AT₅ reflect the fact that the Take or Pay charged in these systems applies only to AT₂₋₄ revenue.

Please contact Greg Selkirk on 3235 5250 should you have any queries regarding QR Network's response to the stakeholder submissions.

Yours sincerely



Tim Ripper
A/Executive General Manager
QR Network